State of North Carolina

Office of State Budget and Management
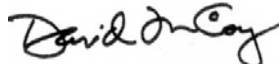
Michael F. Easley
Governor

David T. McCoy
State Budget Director

December 18, 2007

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
               All State Departments, Institutions and Agencies

FROM: David McCoy

SUBJECT: Instructions for FY 2008-09 Budget Preparation

     The Office of State Budget and Management (OSBM) is beginning the process for the review and preparation of Governor Easley's supplemental budget recommendations to the 2008 Legislative Session. Governor Easley has established his agenda for the 2008 Session to focus on:

1. Making North Carolina the nation's leader in education innovation to build a skilled workforce prepared to compete in a global economy.
   - Ensure a debt-free college education for all students whose family income is less than 200% of the federal poverty level.
   - Provide expanded opportunities for at-risk youth through the More-at-Four Program to ensure they are equipped with the skills necessary to succeed in school.
   - Recruit and retain the best teachers for our classrooms by exceeding the national average in teacher pay by 2009.
   - Reform middle schools and high schools in order to improve math achievement and reading literacy and to increase graduation rates.
   - Maximize access to higher education by enhancing financial aid support for middle-income students, expanding online coursework opportunities and increasing internet connectivity for students across the state.

2. Creating jobs, supporting business innovation and growing the economy.
   - Use smart, targeted, performance-based incentives to attract new business and to grow existing businesses in North Carolina.
   - Remain a national leader in biotechnology to expand economic growth in cutting edge fields.
   - Invest in our infrastructure to ensure that growth is accommodated in an effective manner and to support the changing needs of businesses and citizens across the state.

3. Protecting and helping our most vulnerable populations.
- Expand the Children's Health Insurance Program to cover additional children from working families.
- Reduce child care subsidy waiting lists to assist families in need.
- Invest in community-based resources that enhance services for the mentally ill, aged, blind and disabled populations to help them achieve a better quality of life.

4. Preserving the environment and promoting conservation.
- Implement response and enforcement efforts that will assist in reducing energy and water consumption statewide.
- Invest in the Farmland Preservation Trust Fund to promote a sustainable agricultural economy and retain agricultural-related jobs.
- Expand wetland and stream protection programs to protect and restore water quality throughout the state.

5. Increasing the safety of our communities.
- Provide court system and investigative resources to ensure justice is administered swiftly and correctly.
- Invest in local programs to reduce juvenile delinquency and the occurrence of gang-related crimes.
- Improve emergency preparedness and training efforts for those on the front lines.

6. Making government more effective and efficient.
- Invest in information technology projects that streamline program operations or expand e-government opportunities for the public.
- Implement internal audit reviews to ensure public funds are spent appropriately.
- Enhance the state's results-based budgeting initiative to directly tie program resources to outcomes and to promote public accountability.

7. Promote preservation and development of cultural and natural resources to enhance the quality of life for citizens of and visitors to North Carolina.
- Improve access to history, arts and cultural resources statewide through the use of digital and web-based technologies and expansion of the Cultural Caring and Sharing Program.
- Enhance cultural opportunities statewide through support to historic sites, museums, local arts organizations and libraries.
- Provide access to outdoor recreational opportunities by maintaining and developing the State Parks System.

Expansion Budget Requests

The expansion budget is an agency's request for the following:

(1) Additional operating funds above those allowed in the continuation budget, including new and/or pilot programs.

(2) Departmental proposals to change a statutorily-controlled program by redirecting funds from one program to another.

(3) One-time major equipment and information technology (IT) purchases.

(4) Continued phase-in of new programs initiated in a previous fiscal year.

(5) Legislatively-designated salary increases.

(6) Funds to replace lost federal funds.

The detailed instructions for completing expansion budget requests are outlined below.

A.   Worksheet II: Expansion Requests Summary

In this worksheet, summarize each request in priority order including item number, short title, brief description, total requirements, receipts and appropriation, and position change (worksheet attached).

B.   Worksheet II: Expansion Budget Request Form

In general, please use the instructions outlined in the *Instructions for Preparation of the 2007-2009 Recommended State Budget* distributed by OSBM in August 2006 (worksheet attached) as the basis for completing the form.

Each expansion request shall include the following information.

1. A thorough justification for funding the request using the attached form. *All elements of the justification section are required. For each expansion request, the justification should clearly identify the public need being addressed, the agency Results Based Budgeting goal that is supported, the relationship to the Governor's agenda and the expected performance impact or outcome.*

2. Expenditures at the following detail:
- 1XXX Salaries and Benefits – 4 digit detail level,
- 2XXX-5XXX – 4 digit detail level (list all individual accounts),
- 6XXX State-aid – 4 digit detail level,
- 7XXX Reserves – 4 digit detail level,
- 8XXX Transfers – 4 digit detail level, and
- All receipts.

3. The Actual Appropriation Expended for FY 2006-07, the Authorized Budget for FY 2007-08 (as of December 31, 2007), and the long-term budgetary impact and positions for the program or project for fiscal years 2008-09 to 2012-13.

4. All new positions must be shown on each expansion request. The requested salary level for each new position should be budgeted at the minimum level approved by the Office of State Personnel and must conform to the established salary schedules used by state government. For hard to recruit occupational groups including medical, engineering, fiscal, information technology and law enforcement positions, agencies may request salaries at the midpoint of the salary grade or journey market rate (for a banded position). These requests will be reviewed and approved on a case-by-case basis. Indicate the grade level for each position.

5. Expansion requests that require legislative changes must be accompanied by a draft of the proposed legislation or special provision.

6. Each expansion request that requires additional space under G.S. 120-36.7(c), or requires additional vehicles from the state motor pool should include the appropriate information on Worksheet II.

7. For IT requests, please include the required information on Worksheet II as well as submitting an IT project request in the IT project portfolio tool located at https://www.ppm.state.nc.us/UMTNC/. Information over and above what is captured in Worksheet II is required to meet the new requirements outlined in Section 6.12(a) of House Bill 1473. The additional information outlined in the link below will facilitate the required review of IT expansion requests by the State Chief Information Officer and assist OSBM in review of the requests. Submissions in the online tool shall be completed by the same due dates as all other budget request information outlined in this memorandum. The Worksheet II information should be attached to the submission in the online tool. For further information on how to submit a request in the online tool please see the 2008-09 IT Expansion Budget Request Instructions at: http://www.scio.state.nc.us/PortfolioManagementInitiative/2008-2009ITExpansionBudgetRequests.asp.

8. Capital Improvement Requests

A Capital Improvement Budget will be developed based on the 2007-2013 Capital Improvement Plan. There will be an opportunity for your agency to update project information submitted last year on Worksheet III and to request new, emergency or high-priority capital projects. The worksheets and accompanying instructions for requesting these changes to your agency's capital budget requests will be sent electronically by OSBM's Capital Improvement Section.

9. Submit three (3) copies of all expansion request material to OSBM.

The sum total of all general fund appropriation expansion requests (excluding capital improvement requests) **shall not exceed five percent** of your agency's FY 2008-09 certified appropriation. Agencies may submit requests that exceed this five percent threshold if they are supported by non-general fund, unbudgeted, or dedicated receipt sources. Specific issues related to statutorily mandated enrollment increases or entitlement programs should be discussed with your OSBM analyst. **The requests should be submitted to OSBM as soon as possible and no later than Tuesday, February 19, 2008.**

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Please contact your OSBM budget analyst at (919) 807-4700 if you have any questions about the information in this memorandum. Thank you for your cooperation.